



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
BOYLE COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2000**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
[WWW.KYAUDITOR.NET](http://WWW.KYAUDITOR.NET)**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELE. (502) 564-5841  
FAX (502) 564-2912**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE BOYLE COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2000**

The Auditor of Public Accounts has completed the Boyle County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fund balances increased by \$270,358 from the prior fiscal year, resulting in a cash surplus of \$4,373,972 as of June 30, 2000. Revenues increased by \$1,063,028 from the prior year and disbursements increased by \$1,129,671.

#### **Debt Obligations:**

Lease-purchase agreements totaled \$ 91,256 as of June 30, 2000.

#### **Report Comments:**

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

#### **Deposits:**

On August 31, 1999, \$550,278 of the county's deposits of public funds in depository institutions was uninsured and unsecured.



<u>CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT .....	1
BOYLE COUNTY OFFICIALS .....	3
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS .....	6
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES .....	10
NOTES TO FINANCIAL STATEMENTS .....	13
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE .....	21
SCHEDULE OF OPERATING REVENUE .....	25
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES .....	29
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	35
COMMENT AND RECOMMENDATION .....	39
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT	
APPENDIX B:	
BOYLE COUNTY MUNICIPAL PROPERTIES CORPORATION AUDIT	





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Tony W. Wilder, Boyle County Judge/Executive

Members of the Boyle County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Boyle County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Boyle County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Boyle County Municipal Properties Corporation Fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Boyle County Municipal Properties Corporation Fund, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Boyle County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Tony W. Wilder, Boyle County Judge/Executive  
Members of the Boyle County Fiscal Court

In our opinion, based upon our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2000 of Boyle County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued our report dated June 21, 2001 on our consideration of Boyle County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
June 21, 2001



BOYLE COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

**Fiscal Court Members:**

Tony Wilder	County Judge/Executive
Martin Curtis	Magistrate
Morris Martin	Magistrate
Phillip Sammons	Magistrate
John Davis	Magistrate
John Caywood	Magistrate
Cordelia Kubale	Magistrate

**Other Elected Officials:**

George M. McClure	County Attorney
Chris Hill	Jailer
Denise B. Curtsinger	County Clerk
Trudy Stevens	Circuit Court Clerk
Karl Luttrell	Sheriff
Eddie Tamme	Property Valuation Administrator
James Ramey, M.D.	Coroner

**Appointed Personnel:**

Melvin Young	County Treasurer
Marcia Pierce	Occupational Tax Collector
Mary C. Lynn	Finance Officer

THIS PAGE LEFT BLANK INTENTIONALLY

STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

BOYLE COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

Governmental Funds

General Fund Type

General Fund:

Cash \$ 2,523,149

Road and Bridge Fund:

Cash 35,088

Joint Jail Fund:

Cash 373,208

Local Government Economic Assistance Fund:

Cash 64,553

Jail Fund:

Cash 51,268

License Fee Tax Fund:

Cash 5,066

Payroll Revolving Account

Cash 141,490 \$ 3,193,822

Special Revenue Fund Type

State Surplus Fund:

Cash \$ 637,122

Enhanced 911 Fund:

Cash 169,139

Emergency Medical Service Fund:

Cash 2,580 808,841

Debt Service Fund Type

Bond Debt Retirement Fund:

Cash 384,609

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS  
June 30, 2000  
(Continued)

Assets and Other Resources (Continued)

Assets (Continued)

Proprietary Fund

Internal Service Fund

Health Program Fund:

Cash	\$ 128,190
------	------------

Total Assets and Other Resources	\$ 4,515,462
----------------------------------	--------------

Liabilities and Fund Balances

Liabilities

Governmental Funds

General Fund Type

Payroll Revolving Account - Cash	\$ 141,490
----------------------------------	------------

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2000  
 (Continued)

Liabilities and Fund Balances (Continued)

Fund Balances

Governmental Funds

General Fund Type

Unreserved:

General Fund	\$ 2,523,149	
Road and Bridge Fund	35,088	
Joint Jail Fund	373,208	
Local Government Economic Assistance Fund	64,553	
License Fee Tax Fund	5,066	
Jail Fund	<u>51,268</u>	\$ 3,052,332

Special Revenue Fund Type

Reserved:

State Surplus Fund	\$ 637,122	
Enhanced 911 Fund	169,139	
Emergency Medical Service Fund	<u>2,580</u>	808,841

Debt Service Fund Type

Reserved:

Bond Debt Retirement Fund		384,609
---------------------------	--	---------

Proprietary Fund

Internal Service Fund Type

Reserved:

Health Program Fund	<u>128,190</u>
---------------------	----------------

Total Liabilities and Fund Balances	<u><u>\$ 4,515,462</u></u>
-------------------------------------	----------------------------

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

BOYLE COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	Governmental Funds			
	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Joint Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 8,863,330	\$ 1,763,016	\$ 775,815	\$ 1,765,110
Transfers In	2,856,134	2,000,587	165,000	217,353
Total Cash Receipts	<u>\$ 11,719,464</u>	<u>\$ 3,763,603</u>	<u>\$ 940,815</u>	<u>\$ 1,982,463</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget	\$ 8,110,225	\$ 3,508,689	\$ 961,218	\$ 1,407,052
Schedule of Other Expenditures	2,856,134	679,300		
Borrowed Money Repaid				
Transfers to Boyle County Municipal Properties Corporation Fund	482,747	80,020		402,727
Total Cash Disbursements	<u>\$ 9,796,650</u>	<u>\$ 4,268,009</u>	<u>\$ 961,218</u>	<u>\$ 1,809,779</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	<u>\$ 1,922,814</u> <u>4,103,614</u>	<u>\$ (504,406)</u> <u>3,027,555</u>	<u>\$ (20,403)</u> <u>55,491</u>	<u>\$ 172,684</u> <u>200,524</u>
Cash Balance - July 1, 1999	<u>\$ 6,026,428</u>	<u>\$ 2,523,149</u>	<u>\$ 35,088</u>	<u>\$ 373,208</u>
Cash Balance - June 30, 2000				

\* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.



BOYLE COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 2000  
 (Continued)

Governmental Funds				
General Fund Type			Special Revenue Fund Type	
Local Government Economic Assistance Fund	Jail Fund	License Fee Tax Fund	State Surplus Fund	Enhanced 911 Fund
\$ 30,230	\$ 12,674	\$ 1,990,630	\$ 1,206,902 7,194	\$ 88,883
\$ 30,230	\$ 12,674	\$ 1,990,630	\$ 1,214,096	\$ 88,883
\$ 6,362	\$ 25,477	\$ 2,000,000	\$ 681,706 587	\$ 43,512
\$ 6,362	\$ 25,477	\$ 2,000,000	\$ 682,293	\$ 43,512
\$ 23,868 40,685	\$ (12,803) 64,071	\$ (9,370) 14,436	\$ 531,803 105,319	\$ 45,371 123,768
\$ 64,553	\$ 51,268	\$ 5,066	\$ 637,122	\$ 169,139

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 2000  
 (Continued)

	Governmental Funds			Proprietary Fund
	Special Revenue Fund Type	Debt Service Fund Type	Internal Service Fund Type	
	ISTEA Fund	Emergency Medical Service Fund	Bond Debt Retirement Fund	Health Program Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 50,000	\$ 508,611	\$ 233,610	\$ 437,849
Transfers In		466,000		
Total Cash Receipts	<u>\$ 50,000</u>	<u>\$ 974,611</u>	<u>\$ 233,610</u>	<u>\$ 437,849</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget	\$ 50,000	\$ 1,012,898	\$	\$ 413,311
Schedule of Other Expenditures			176,247	
Borrowed Money Repaid				
Transfers to Boyle County Municipal Properties Corporation Fund				
Total Cash Disbursements	<u>\$ 50,000</u>	<u>\$ 1,012,898</u>	<u>\$ 176,247</u>	<u>\$ 413,311</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$	\$ (38,287)	\$ 57,363	\$ 24,538
Cash Balance - July 1, 1999		40,867	327,246	103,652
Cash Balance - June 30, 2000	<u>\$ 0</u>	<u>\$ 2,580</u>	<u>\$ 384,609</u>	<u>\$ 128,190</u>

\* Cash Balance Includes Investments

BOYLE COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Boyle County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Boyle County Municipal Properties Corporation as part of the reporting entity. The Boyle County Municipal Properties Corporation was audited by other auditors whose report has been included as Appendix B of the audit report.

Additional - Boyle County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Boyle County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Boyle County Fiscal Court's Fund Categories, Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) Governmental Fund Category

Governmental Fund Category is used to account for the activities that are typical functions of government, such as police and fire protection, road and street construction and repair, and social services. The Boyle County Governmental Fund Category includes the following Fund Types: General Fund Type, Special Revenue Fund Type, and Debt Service Fund Type

BOYLE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

1) Governmental Fund Category (Continued)

a) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Boyle County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Joint Jail Fund, Local Government Economic Assistance Fund (LGEA), Jail Fund, and the License Fee Tax Fund.

b) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The State Surplus Fund, Federal Civil War Fund, Enhanced 911 Fund, ISTEAFund, and Emergency Medical Service Fund are reported as Special Revenue Fund Types. The Federal Civil War Fund had no activity in it for fiscal year ending June 30, 2000.

c) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Bond Debt Retirement Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

2) Proprietary Fund Category

Proprietary Fund Category is used to account for and report those governmental activities that are designed to be self-supporting from fees charged to consumers of the funds' goods and services. The Boyle County Proprietary Fund Category includes the following Fund Types: Internal Service Fund

a) Internal Service Fund Type

Internal Service Fund accounts for the financing of goods or services provided by one governmental department or agency to another. The Health Program Fund is reported as an Internal Service Fund Type.

BOYLE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Boyle County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BOYLE COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2000  
 (Continued)

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of August 31, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$550,278 of public funds uninsured and unsecured.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 31, 1999.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county's name	\$ 1,918,259
Uncollateralized and uninsured	<u>550,278</u>
Total	<u><u>\$ 2,468,537</u></u>

Note 4. Lease-Purchase Agreements

BOYLE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

The county has entered into the following lease-purchase agreements:

Description	Purchase Date	Maturity Date	Interest Rate	Principal Balance June 30, 2000
Three Ambulances	2/26/1997	4/1/2002	various	\$ 91,256

Note 5. Lease Income

The Boyle County Municipal Properties Corporation Fund was audited by the firm of Robinson, Hughes & Christopher, P.S.C. and has been included as Appendix B of this report. The firm's audit lists income from the Boyle County Fiscal Court of \$478,949.

Note 6. Insurance

For the fiscal year ended June 30, 2000, Boyle County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 7. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1)(2), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 68.210 requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletins 93-002 and 97-001 provide additional accounting and expenditure guidance for acceptable jail canteen operations.

The Boyle County Jail Canteen Fund received \$76,616 and expended \$45,735. The Jail Canteen reported June 30 ending balances of \$34,591 and \$65,472 for 1999 and 2000 respectively. All profit expenditures were for the benefit and/or recreation of the inmates.

BOYLE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 8. Health Insurance Fund

The Boyle County Health Insurance Fund provides health insurance coverage to county employees. The county transfers from each fund (General, Road, Jail and EMS), the amount for a single policy for each employee that is eligible and elects to receive insurance from the county. Any employee that selects a plan that is not a single plan (i.e. family, spouse/children) has the additional premium deducted from the paychecks. Premiums are determined by the county based on recommendations submitted to them by the Reinsurer.

Boyle County also carries insurance to pay claims in excess of \$20,000 per person per incident. Additionally, their reinsurer pays for all claims in one plan year over a specified dollar amount, \$296,691 for 1999/2000 plan year. The county pays for all expenditures during a plan year; and the amount to be paid by the reinsurer is reimbursed to the county at the end of the plan year.



COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



BOYLE COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>Governmental Funds</u>			
<u>General Fund Type</u>			
General Fund	\$ 3,207,015	\$ 1,763,016	\$ (1,443,999)
Road and Bridge Fund	709,650	775,815	66,165
Joint Jail Fund	1,380,395	1,765,110	384,715
Local Government Economic Assistance Fund	15,150	30,230	15,080
Jail Fund	8,172	12,674	4,502
License Fee Tax Fund		1,990,630	1,990,630
<u>Special Revenue Fund Type</u>			
State Surplus Fund	849,941	1,206,902	356,961
Federal Civil War Fund	300,000		(300,000)
Enhanced 911 Fund	87,000	88,883	1,883
ISTEA Fund	1,452,100	50,000	(1,402,100)
Emergency Medical Service Fund	492,000	508,611	16,611
<u>Debt Service Fund Type</u>			
Bond Debt Retirement Fund	229,659	233,610	3,951
<u>Proprietary Fund</u>			
<u>Internal Service Fund Type</u>			
Health Program Fund	390,500	437,849	47,349
Totals	<u>\$ 9,121,582</u>	<u>\$ 8,863,330</u>	<u>\$ (258,252)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 9,121,582
Add: Budgeted Prior Year Surplus			3,575,225
Less: Other Financing Uses			(482,847)
Total Operating Budget Per Comparative Schedule			
Of Final Budget and Budgeted Expenditures			<u>\$ 12,213,960</u>

THIS PAGE LEFT BLANK INTENTIONALLY

SCHEDULE OF OPERATING REVENUE



**BOYLE COUNTY**  
**SCHEDULE OF OPERATING REVENUE**

Fiscal Year Ended June 30, 2000

Revenue Categories	Totals (Memorandum Only)	Governmental Funds			Proprietary Fund
		General Fund Type	Special Revenue Fund Type	Debt Service Fund Type	Internal Service Fund Type
Taxes	\$ 2,987,663	\$ 2,903,393	\$ 84,270	\$	\$
Excess Fees	329,744	329,744			
License and Permits	30,715	30,715			
Intergovernmental Revenues	4,140,715	2,687,080	1,238,976	214,659	
Charges for Services	509,206	7,145	502,061		
Miscellaneous Revenues	718,766	277,726	6,447		434,593
Interest Earned	146,521	101,672	22,642	18,951	3,256
Total Operating Revenue	<u>\$ 8,863,330</u>	<u>\$ 6,337,475</u>	<u>\$ 1,854,396</u>	<u>\$ 233,610</u>	<u>\$ 437,849</u>

THIS PAGE LEFT BLANK INTENTIONALLY



COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



BOYLE COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

GOVERNMENTAL FUNDS			
GENERAL FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 933,845	\$ 868,399	\$ 65,446
Protection to Persons and Property	1,351,783	1,248,080	103,703
General Health and Sanitation	811,863	760,058	51,805
Social Services	84,500	83,895	605
Recreation and Culture	1,673,730	1,295,131	378,599
Transportation Facilities and Services	24,154	16,908	7,246
Roads	669,480	612,320	57,160
Airports	12,620	12,601	19
Capital Projects	193,454	190,540	2,914
Administration	1,245,166	820,866	424,300
Total Operating Budget - All General Fund Types	\$ 7,000,595	\$ 5,908,798	\$ 1,091,797
Other Financing Uses:			
Transfers to Boyle County Municipal Properties Corporation Fund	482,847	482,747	100
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 7,483,442</u>	<u>\$ 6,391,545</u>	<u>\$ 1,091,897</u>

BOYLE COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 2000  
 (Continued)

SPECIAL REVENUE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 150,000	\$ 43,512	\$ 106,488
Protection to Persons and Property	749,683	728,766	20,917
Social Services	1,200,651	681,706	518,945
Recreation and Culture	1,758,707	50,000	1,708,707
Debt Service	55,975	54,113	1,862
Administration	300,533	230,019	70,514
Total Operating Budget - All Special Revenue Fund Types	<u>\$ 4,215,549</u>	<u>\$ 1,788,116</u>	<u>\$ 2,427,433</u>

DEBT SERVICE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
Total Operating Budget - All Debt Service Fund Type	<u>\$ 554,264</u>	<u>\$ 0</u>	<u>\$ 554,264</u>
Total Operating Budget - All Governmental Fund Types	\$ 11,770,408	\$ 7,696,914	\$ 4,073,494
Other Financing Uses:			
Transfers to Boyle County Municipal Properties Corporation Fund	<u>482,847</u>	<u>482,747</u>	<u>100</u>
TOTAL BUDGET - ALL GOVERNMENTAL FUND TYPES	<u>\$ 12,253,255</u>	<u>\$ 8,179,661</u>	<u>\$ 4,073,594</u>

BOYLE COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 2000  
 (Continued)

Expenditure Categories	PROPRIETARY FUND		
	INTERNAL SERVICE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Administration	\$ 443,552	\$ 413,311	\$ 30,241
Total Operating Budget - Internal Service Fund Type	<u>\$ 443,552</u>	<u>\$ 413,311</u>	<u>\$ 30,241</u>

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Tony W. Wilder, Boyle County Judge/Executive

Members of the Boyle County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Boyle County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated June 21, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Boyle County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying comment and recommendation.

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Boyle County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
June 21, 2001

COMMENT AND RECOMMENDATION



BOYLE COUNTY  
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 2000

NONCOMPLIANCES

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

---

On August 31, 1999, \$550,278 of the county's deposits of public funds in depository institutions was uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*County Judge/Executive's Response:*

*As of July 2000, the Boyle Co. Fiscal Court entered into Collateralized Security Agreements with the local banks with whom we do business with. Our Sweep Account collateralizes funds at 102%. Other accounts are covered by pledged securities and an Excess Deposit Insurance Bond.*

PRIOR YEAR FINDINGS

In the prior year, Boyle County should have required depository institutions to pledge or provide sufficient collateral to protect deposits.

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

BOYLE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

Appendix A

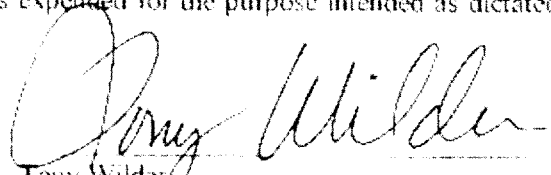





CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
BOYLE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Boyle County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes



Tony Wilder  
County Judge-Executive



Mary Lynn  
County Treasurer



BOYLE COUNTY MUNICIPAL PROPERTIES CORPORATION AUDIT

Fiscal Year Ended June 30, 2000



**BOYLE COUNTY MUNICIPAL PROPERTIES CORPORATION**

**FINANCIAL STATEMENTS**

**JUNE 30, 2000**

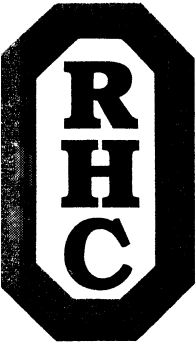
**WITH**

**INDEPENDENT AUDITORS' REPORT**

# BOYLE COUNTY MUNICIPAL PROPERTIES CORPORATION

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Combined Balance Sheet - All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - All Governmental Fund Types	3
Notes to Financial Statements	4-8



*Robinson, Hughes & Christopher, P.S.C.*  
*Certified Public Accountants*

459 West M.L. King Blvd., P.O. Box 880, Danville, KY 40423-0880 • (606) 236-6628 • FAX (606) 236-6660  
650 Starks Building, Louisville, KY 40202 • (502) 589-1110

SHAREHOLDERS  
THOMAS A. CHRISTOPHER, CPA  
LARRY T. CLARK, CPA  
WALTER L. GOGGIN, CPA  
JANNA S. RIGNEY, CPA

CPA STAFF  
JOHN B. HUGHES, CPA  
MICHAEL K. STEVENS, CPA  
JULIE W. HOLT, CPA  
GAIL L. RICE, CPA  
JONATHAN M. MEYER, CPA

Board of Directors  
Boyle County Municipal Properties Corporation  
Boyle County Courthouse  
Danville, Kentucky 40422

Independent Auditors' Report

We have audited the financial statements of the Boyle County Municipal Properties Corporation (a component unit of the County of Boyle, Kentucky) as of June 30, 2000, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boyle County Municipal Properties Corporation as of June 30, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

*Robinson, Hughes & Christopher, P.S.C.*

ROBINSON, HUGHES & CHRISTOPHER, P.S.C.  
Certified Public Accountants

July 6, 2000

BOYLE COUNTY MUNICIPAL PROPERTIES CORPORATION  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2000

ASSETS AND RESOURCES

	Governmental Fund Type	Account Groups		Totals (Memorandum Only)	
		General Long Term Debt	General Fixed Assets	June 30, 2000	June 30, 1999
Assets held by Trustee:					
Cash	\$ 0.24	\$ -	\$ -	\$ 0.24	\$ -
Accrued interest				-	0.86
Investments (at cost)				-	252.10
Lease receivable	122,532.74			122,532.74	126,331.45
Due from Capital Projects Fund				-	232.58
Government Services Center building			5,155,197.22	5,155,197.22	5,155,197.22
Government Services Center equipment and furnishings			423,247.38	423,247.38	423,247.38
Government Services Center land			145,003.00	145,003.00	145,003.00
Total Assets	122,532.98	-	5,723,447.60	5,845,980.58	5,850,264.59
Amount available in Debt Service Funds		122,532.98		122,532.98	126,584.41
Amounts to be provided from future revenues for retirement of bonds		5,632,467.02		5,632,467.02	5,808,415.59
Total Assets and Resources	\$ 122,532.98	\$ 5,755,000.00	\$ 5,723,447.60	\$ 11,600,980.58	\$ 11,785,264.59

LIABILITIES AND FUND EQUITY

Liabilities:					
Bonds outstanding	\$ -	\$ 5,755,000.00	\$ -	\$ 5,755,000.00	\$ 5,935,000.00
Due to Debt Service Fund				-	232.58
Total Liabilities	-	5,755,000.00	-	5,755,000.00	5,935,232.58
Fund Equity:					
Investment in general fixed assets			5,723,447.60	5,723,447.60	5,723,447.60
Fund balance	122,532.98		122,532.98	122,532.98	126,584.41
Total Fund Equity	122,532.98	-	5,723,447.60	5,845,980.58	5,850,032.01
Total Liabilities and Fund Equity	\$ 122,532.98	\$ 5,755,000.00	\$ 5,723,447.60	\$ 11,600,980.58	\$ 11,785,264.59

The notes to the financial statements are an integral part of this statement.



BOYLE COUNTY MUNICIPAL PROPERTIES CORPORATION  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2000  
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1999

	Debt Service	Totals (Memorandum Only)	
		June 30, 2000	June 30, 1999
Revenues:			
Lease income from Boyle County			
Fiscal Court	\$ 478,948.96	\$ 478,948.96	\$ 277,453.62
Interest earned	235.87	235.87	22,308.46
	<u>479,184.83</u>	<u>479,184.83</u>	<u>299,762.08</u>
Expenditures:			
Payment of bonds	180,000.00	180,000.00	-
Payment of interest	303,236.26	303,236.26	303,236.26
Facilities acquisition and construction		-	814,861.66
	<u>483,236.26</u>	<u>483,236.26</u>	<u>1,118,097.92</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,051.43)</u>	<u>(4,051.43)</u>	<u>(818,335.84)</u>
Other Financing Sources (Uses):			
Operating transfer in		-	151,394.32
Operating transfer out		-	(151,394.32)
	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	(4,051.43)	(4,051.43)	(818,335.84)
Fund Balance, beginning of year	<u>126,584.41</u>	<u>126,584.41</u>	<u>944,920.25</u>
Fund Balance, end of year	<u>\$ 122,532.98</u>	<u>\$ 122,532.98</u>	<u>\$ 126,584.41</u>

- The notes to the financial statements are an integral part of this statement.

# BOYLE COUNTY MUNICIPAL PROPERTIES CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

### NOTE 1 - GENERAL HISTORY

The Boyle County Municipal Properties Corporation (the Corporation), a component unit of the County of Boyle, Kentucky, was formed on July 23, 1974, by the members of the Boyle County Fiscal Court (Fiscal Court) to act as an agency of the County in the planning, financing, acquisition and developing of public projects and improvements. The Corporation's directors consist of the seven members of the Fiscal Court (the County Judge/Executive and six Magistrates). Each of these elected officials shall serve as a director during his or her tenure in public office.

To date the Corporation has been utilized in connection with two public projects. The first project was a 1975 renovation and addition to the Boyle County Courthouse, financed by a \$1,650,000.00 bond issue. The 1975 bond issue was retired on June 1, 1998. In September 1998, title to the courthouse site was transferred by the Corporation to Boyle County.

The second project was the construction of a new government services center on the Highway 127 Bypass in Danville. This project, which was financed by a February, 1997, bond issue of \$5,935,000.00, consists of a new regional jail facility (for Boyle and Mercer Counties) and new emergency medical service and County road maintenance facilities (for Boyle County).

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - Fund Accounting - The accounts of the Corporation are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises assets, liabilities, fund equity, revenues and expenditures. The various funds are summarized by type in the financial statements. The following fund types and account groups are used by the Corporation:

#### Governmental Fund Types

Debt Service Funds - The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. As of June 30, 2000, the Corporation had only one debt service fund, the 1997 Bond Issue Sinking Fund.

Capital Projects Funds - The Capital Projects Funds are used to account for all resources for the acquisition and construction of capital facilities by the Corporation. During the year ended June 30, 2000, there were no capital projects in process.

#### Account Groups

General Fixed Assets Account Group - This account group is established to account for all fixed assets financed by the Corporation.

General Long-Term Debt Account Group - This account group is established to account for all long-term debt of the Corporation.

BOYLE COUNTY MUNICIPAL PROPERTIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Governmental fund operating statements present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual, i.e., both measurable and available. Available means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable.

Revenues consist of lease payments from the Boyle County Fiscal Court and interest on investments. Lease payments, discussed in more detail in Note 5, are recorded when susceptible to accrual. Investment earnings are recorded as earned since they are measurable and available.

Investments - Investments are recorded at cost plus accreted interest, if applicable, which approximates market value.

General Fixed Assets - Buildings, equipment and furnishings, and land are stated on the basis of historical cost including capitalized construction period interest. In accordance with generally accepted accounting principles, no provision is made for depreciation of assets in the General Fixed Assets Account Group.

During the construction of a fixed asset, interest paid on the related bond issue net of any purchased interest received from bond holders and any interest earned on the temporary investment of bond proceeds is capitalized as part of the cost of the related fixed asset.

Comparative Data - Comparative totals for the prior period have been presented in the accompanying financial statements in order to provide an understanding of changes in the Corporation's financial position and operations.

Total Columns on Combined Financial Statements - Total columns presented in the combined financial statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. No consolidating entries or other eliminations were made in the aggregation of the totals; thus they do not present consolidated information and do not purport to present financial position or results of operations in conformity with generally accepted accounting principles.

# BOYLE COUNTY MUNICIPAL PROPERTIES CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

### NOTE 3 - CASH AND INVESTMENTS

Under the terms of the Trust Indenture made in connection with the 1997 bond issue, trust funds connected with the issue may be invested in:

- 1) Direct obligations of or obligations guaranteed by the United States of America.
- 2) Interest bearing time deposits or certificates of deposit. However, to the extent that such deposits exceed the Federal Deposit Insurance Corporation (FDIC) coverage, bank owned obligations of the types described in 1, 3, 4 and 5 must be pledged as security.
- 3) Obligations issued by various federal agencies.
- 4) General obligations of the Commonwealth of Kentucky.
- 5) Money market funds consisting of obligations described in either items 1 or 4 above.

As of June 30, 2000, the Corporation's assets included \$.24 cash and no investments. During the year, investments consisted exclusively of money market funds invested in direct obligations of the United States of America.

All investments are held by the trustee in its name. The trustee maintains records detailing ownership of all assets which it holds.

### NOTE 4 - GENERAL FIXED ASSETS

The \$5,723,447.60 balance shown in the General Fixed Assets account group is the total cost of the government services center financed by the 1997 bond issue and completed in October, 1998.

### NOTE 5 - LEASE INCOME

The Corporation holds title to the property on which the new government services center is constructed. A lease-option agreement between Boyle County and the Corporation has been executed under which Boyle County will pay such rent to the Corporation as is necessary to retire the bonds and interest coupons. Under the terms of the Trust Indenture dated February 15, 1997, the property, all rights under the lease-option, and all rights under a sublease described below were pledged to the trustee, National City Bank of Kentucky, as security for the bondholders.

The amount of the rent payments that will normally be due is equal to the sum of the semi-annual bond and interest requirements. During the construction period, however, interest costs associated with the bond issue were refunded to the 1997 Bond Issue Sinking Fund by the Capital Projects Fund.

Amounts accumulated in the 1997 Bond Issue Sinking Fund may be used as a credit against normal rent payments due.

# BOYLE COUNTY MUNICIPAL PROPERTIES CORPORATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

### NOTE 5 - LEASE INCOME (continued)

On November 19, 1996, the Counties of Boyle and Mercer entered into an Interlocal Cooperation Agreement to "share in the costs of construction, acquisition, installation, maintenance, operation and financing of a regional jail facility." Pursuant to that agreement, the two counties entered into a sublease agreement dated February 15, 1997. Under the terms of the sublease agreement, Mercer County is to pay to Boyle County an amount equal to Mercer County's share of the portion of the bond debt service requirement from the 1997 bond issue which is attributable to the jail portion of the multi-purpose government services center. According to the sublease agreement, the portion of the debt service requirement that is attributable to the jail is fixed at 83.42%. For the first year that the jail is in service, Mercer's share of the debt service attributable to the jail is to be 40%. For subsequent years, Mercer's share will be based upon the relative prisoner populations of the two counties at the jail for the preceding year.

### NOTE 6 - BOND INDEBTEDNESS INFORMATION

The following is a summary of some of the significant provisions of the Series of 1997 bond issue:

Par amount of original issue	\$ 5,935,000.00
Discount on original issue	\$ 118,566.46
Rate of interest on remaining issue	4.75% to 5.30%
Bonds due	February 1
Interest due	February 1 and August 1
First principal payment	February 1, 2000
Last principal payment	February 1, 2019

#### Call Provisions:

1997 Series bonds maturing on and after February 1, 2008, are subject to redemption prior to maturity at the option of the Corporation (and upon its written direction to the Trustee) on February 1, 2007, and on any date thereafter in whole or from time to time in part in increments of \$5,000 and in any order of maturity (less than all of a single maturity to be selected by lot by the Trustee) at the following prices (expressed as percentages of principal amount) plus interest accruing to the redemption date.

February 1, 2007, and prior to February 1, 2008	102%
February 1, 2008, and prior to February 1, 2009	101%
February 1, 2009, and thereafter	100%

BOYLE COUNTY MUNICIPAL PROPERTIES CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000

NOTE 6 - BOND INDEBTEDNESS INFORMATION (continued)

The following is a summary of the remaining bond principal and interest requirements of the Series of 1997 as of June 30, 2000:

<u>Year Ending June 30,</u>	
2001	\$ 484,686.26
2002	485,661.26
2003	481,161.26
2004	481,423.76
2005	485,942.51
2006 - 2010	2,420,567.55
2011 - 2015	2,419,032.55
2016 - 2019	1,936,610.04
Total	<u>9,195,085.19</u>
Less interest	<u>3,440,085.19</u>
Outstanding principal	<u><u>\$ 5,755,000.00</u></u>